

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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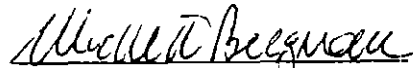
POSTAL RATE AND FEE CHANGES, 1997

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Docket No. R97-1

**THE DIRECT MARKETING ASSOCIATION, INC.'S FIRST SET OF
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS
DIRECTED TO USPS WITNESS THRESS (DMA/USPS-T7-1-4)**

Pursuant to Sections 25 and 26 of the Commission's Rules of Practice, the Direct Marketing Association, Inc. hereby submits the attached first set of interrogatories and requests for production of documents to USPS witness Thress (DMA/USPS-T7-1-4). If the designated witness is unable to respond to this interrogatory, we request a response by some other qualified witness.

Respectfully submitted,



Dana T. Ackerly II, Esq.
David L. Meyer
Michael D. Bergman
COVINGTON & BURLING
1201 Pennsylvania Avenue, N.W.
Washington, D.C. 20004
(202) 662-5296

Counsel for the Direct Marketing
Association, Inc.

September 17, 1997

Witness Thress (USPS-T-7)

DMA/USPS-T7-1. On page 68 of your direct testimony you indicate that the sign of the cross price elasticity of Standard A regular mail with respect to the price of Enhanced Carrier Route mail was “implausible if one expects these two subclasses to be substitutes for one another.” You also indicate that you found the cross price elasticity of enhanced carrier route with respect to the price of Standard A regular to be of the correct sign, but too high in magnitude. You further state that “[h]ence, no cross-price substitution was modeled between Standard Regular and Enhanced Carrier Route mail in the demand equations presented and discussed here.” Does this imply that you fit demand equations for Standard Regular and Enhanced Carrier Route that are not presented in your testimony? If so, please provide the specification for these equations, the parameter estimates, and the results of any statistical tests or regression diagnostics you performed.

DMA/USPS-T7-2. On page 69 of your direct testimony you state that “[t]he regressions were not begun starting in 1983Q1 based on a comparison of regression results starting in 1983Q1 and those starting in 1984Q1.” Please provide the specification for the regressions starting in 1983Q1 and the results, including parameter estimates and all statistical tests and regression diagnostics.

DMA/USPS-T7-3. a) Does the cross-price elasticity of Standard A ECR mail with newspapers and radio mean that they both get additional advertising revenues when ECR rates increase?

b) Would newspapers and radio also get additional advertising revenues as a result of increases in the Standard A Regular rates?

c) Please provide an estimate of how much additional advertising revenues newspapers and radios will receive as a result of the Postal Service’s proposed increase (i) for Standard A ECR and (ii) for Standard A Regular mail.

DMA/USPS-T7-4. In the past several cases, Dr. Tolley has used the Z variable in demand estimates for Standard A mail. Please explain why you no longer use this variable.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with Rule 12 (section 3001.12) of the Postal Rate Commission's Rules of Practice and Procedure and Rule 3 of the Commission's Special Rules of Practice in this proceeding.


Michael D. Bergman

September 17, 1997